4:Grajdanzev--126 S-4 (no date) 1942 Formosans
116, 453, 563

"The banking system collects the liquid funds of the inhabitants and transfers them to those who can put up security and are willing to pay a certain rate of interest. Besides the deposits which are brought to them the banks may to a certain degree 'create' deposits. These operations place them at the centre of economic activity and give them power far beyond that which their own capital could otherwise confer. All banks in Taiwan are in Japanese hands. On page 127 we give in tabular form some information concerning each of the banks operating in Taiwan."

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4:Grajdanzev--126 [21 S-4 (no date) 1942 Formosans
116, 435, 453, 457

"The foremost position is occupied by the Taiwan Bank, a private corporation in charge of the monetary system of Taiwan. The great difference between the deposits of this bank and its loans is explained by the issue of banknotes, one of the many ways by which Japanese capital in Taiwan is created. The issue of notes, the reserves of gold and of foreign exchange kept by this bank, as well as the movement of wholesale prices in Taihoku, the capital, may be seen from the table on page 127.

In six and a half years the issue of notes increased three and a half times, the gold and foreign exchange reserve evaporated in the same period, and in the five years 1933-38 wholesale prices increased by about fifty per cent."

4:Grajdanzev--126-128 S-4 (no date) 1942 Formosans
116, 426, 453, 656, 177.42 Japan
636.42

"Another bank whose loans are far above deposits is Nippon Kangyo Bank, or the Japanese Bank for the Encouragement of Business. Actually this bank is a mortgage institution and [128] is in the forefront of the organizations which extend Japanese control over real property in Taiwan."

4:Grajdanzev--127 S-4 (no date) 1942 Formosans -1-2
116, 453

"Position of the Taiwan Banks on June 30, 1939

	Paid-up capital (1,000 yen)	Reserves (1,000 yen)	Rate of net profit in 1938	Deposits (1,000,000 yen)	Aggregate loans (1,000,000 yen)
Banks with head-offices in Taiwan:					
Taiwan Bank	13,250	8,200	19.5	109.4	233.4
Taiwan Shoko (Comm. and Indust.)	2,590	904	12.7	60.3	65.4
Shoka Bank	2,840	1,168	7.7	39.8	36.4
Kanan (South China) Bank	1,875	378	9.3	4.3	7.2
Taiwan Chochiku (Savings) Bank	250	132	15.6	20.1	17.8
Banks with head-offices in Japan:					
Nippon Kangyo Bank	116,213-	140,213	¥ 193,000*	3.9*	107.3*

Position of the Taiwan Banks on June 30, 1939 Cont.

	Paid-up capital (1,000 yen) -(1937)	Reserves (1,000 yen)	Rate of net profit in 1938	Deposits (1,000,000 yen)	Aggregate loans (1,000,000 yen)
(Mortgage Bank of Japan)					
Sanwa	72,200	35,710	¥ 955,000*	32.5*	18.6*
Total	20,680†	10,782†	¥ 4,300,000	270.3	486.1

* Branches in Taiwan alone.

† Excluding Sanwa and Nippon Kangyo Bank, which are domiciled in Japan."

4:Grajdanzev--127 [2] S-4 (no date) 1942 Formosans
116, 453

"Note Issue of Taiwan Bank and Wholesale Prices in Taiwan

	Notes (1,000 yen)	Subsidiary coins and notes (1,000 yen)	Total (1,000 yen)	Gold and foreign exchange reserve (1,000 yen)	Index of wholesale prices in Taihoku, 1914 = 100, Annual average
1933 end	48,994	6,518	55,512	15,885	148.6
1934 "	62,654	6,807	69,461	15,885	154.9
1935 "	70,191	7,163	77,354	15,987	157.6
1936 "	79,138	7,455	86,593	15,885	163.1
1937 "	112,033	8,634	120,667	21	188.7
1938 "	140,019	11,732	151,751	1,219	215.7
1939 "	171,169	14,596	185,765	...	238*
1939, May	140,195	12,750	152,945	...	219
1940, "	174,309	15,605	189,914	...	255

* In 1937 the base was shifted to June 1937, but we have converted later indices to the old base, assuming that the index for June 1937 is the same as the annual average index."

"The banks enumerated above [see page 127 in category 116--analyst] are Japanese, and the only institutions in which the Chinese have some measure of influence are the credit cooperatives, which will be discussed later. The table below summarizes information on deposits of all financial institutions of Taiwan.

Growth of Deposits of Financial Institutions in Taiwan
(1,000,000 yen)

	1926	1928	1930	1932	1934	1935	1939
Banks	102.9	111.9	101.2	133.2	152.2	173.0	270.3
Post office	9.1	13.3	16.5	18.1	21.4	23.7	34.8*
Credit cooperatives	28.0	34.9	34.6	47.7	65.5	77.9	118.2†
Total	140.0	160.1	152.3	199.0	239.1	274.6	423.3*†

* Post-office savings deposits on Dec. 31, 1938.

†Of which rural credit cooperatives accounted for ¥87,230,000 on Dec. 31, 1938.

The amount of deposits in Taiwan has thus trebled in thirteen years. In order to judge whether this is a sign of a sharp improvement of the economic position of the islanders, it is necessary to know (1) whether the increase in deposits comes chiefly from Japanese or from Chinese sources, (2) whether the increase in deposits of the Chinese is a real

increase, or whether it only reflects a change of habit (it is evident that the transition from subsistence to money economy is bound up with the increase of deposits at the banks), (3) how far this increase may be ascribed to war-time inflation.

We do not have complete data on the distribution of deposits between Japanese and Chinese, but what is available throws some light on the problem.

Distribution of Deposits in Banks and Post Offices
(million yen)

	Banks		Post offices	
	Chinese	Japanese	Chinese	Japanese
1926	33.0	69.8	2.6	6.6
1935	51.2	121.7	4.9	18.8
1938	...	...	6.9	27.9 "

4:Grajdanzev--129-130 S-4 (no date) 1942 Formosans-1-2
116, 453, 458, 563

"Deposits in cooperatives belong chiefly to the Chinese, but no data are available either on the exact composition by nationality of the depositors or on their number. The table given above shows that between 1926 and 1935 the growth of Japanese banking and postal deposits was more rapid than that of the Chinese and that in 1935 about seventy-two per cent of all deposits in the banks and post offices belonged to the Japanese. But in order to see whether there is a real gain we should know the number of the depositors or the average deposit. We have such data only for the post offices.

Average Amount of Savings per Depositor in Post Offices
(in yen)

	1921	1929	1934	1938	
Japanese	33.3	51.0	146.5	89.5	(1937)*
Chinese	8.2	16.6	14.2	13.8	

* Data for the Japanese beginning with 1936 show a strange change: the number of depositors rises sharply without a corresponding increase in the total amount of the deposits. For 1938 the number of non-Chinese depositors is shown as 394,000, while the whole Japanese population in Taiwan is only 308,000. It may be that the increase of more than 100,000 Japanese depositors with a very small increase in deposits reflects the stationing of a larger number of troops in Taiwan.

Calculated from data given in Taiwan Jijo.

Comparison of the deposits of the Japanese and the Chinese shows (1) that the Japanese deposits are from seven to ten times larger on the average than the deposits of the Chinese; (2) that the average size of the Chinese deposits has not shown any increase since 1929, especially if we take the rise in prices into consideration; (3) that the absolute amount of Chinese deposits is so small that it hardly indicates any great prosperity. When the farmer buys fertilizers and sells a larger and larger part of his produce on the market, he will not keep his savings in the form of silver but will prefer to keep it in the bank where it is safer. This is, however, not necessarily a sign of economic improvement.

On the other hand, a comparison of the note issue and the index of wholesale prices suggests that a large part of the increase in deposits in the war years is purely illusory. If a [130] business man is compelled by the conditions obtaining in his business to have in his account a certain sum of money, then with the rise of wholesale prices he has to increase his deposits in order to be able to satisfy his needs to the same extent as before. But this again can hardly be considered as a sign of 'prosperity', at least for the society as a whole."

"The money which the banks and credit cooperatives collect is lent to the business men and farmers, and here one finds a great difference in the position of the big firms and the small farmers or artisans. The banks serve chiefly Japanese firms, and their credit requirements differ little from those in Japan. Small business men secure their credit in urban credit societies which sometimes charge as much as thirteen per cent and usually ten per cent, while rural credit societies usually charge twelve per cent and in the worst cases seventeen per cent. (1) But both urban and rural credit societies grant

1. These rates are taken from Sangyo kumiai nenkan, 1938, Tokyo. K. Takahashi asserts that the usual rate for mortgages on real property is 15 per cent, op. cit. p. 601).

such credit only on good security, so that the demand of many farmers for credit remains unsatisfied and they are compelled to apply for loans to private individuals who charge twenty to twenty-five per cent, and as Takahashi remarks, cases where more than twenty-five per cent is charged are not rare.

This brief survey is sufficient to show that the modern banks in Taiwan help to collect money from the population and loan it at a relatively low rate of interest to the big Japanese firms, while the Chinese have to apply for loans to other sources where they pay two to five times as high a rate of interest as that which the Japanese firms pay.

116, 426, 453, 563, 477

The importance of this fact cannot be overemphasized. The Chinese enterprises are unable to compete with the Japanese, not so much because the Chinese are 'unable to organize corporations' on account of their 'national characteristics,' [rationalizations given by Takahashi for the domination of industry by the Japanese see pages 112-113 in category 116--analyst] but because their financing costs them two to five times as much as it does the Japanese enterprises."

4:Grajdanzev--156 S-4 (no date) 1942 Formosans
116, 453, 457, 563

"We have statistics of domestic and foreign postal money orders for Taiwan. Without exception each year the amount of money orders issued in Taiwan is above the amount of money orders paid in Taiwan. The difference indicates approximately the net remittance by the Japanese in the case of domestic money orders (an order on Japan is regarded as a domestic order in Taiwan), and by the Chinese in the case of foreign money orders. The average amounts for the last 5 years (1933/34-1937/38) are as follows:

	Issued	Paid	Balance
Domestic money orders (1,000 yen)	32,207	19,880	—12,327
Foreign money orders (1,000 yen)	467	96	— 371

Source—Financial and Economic Annual of Japan, 1938.

For the last 5 years the average balance of postal money orders in favor of Japan was 12,327,000 yen while that to the advantage, presumably, of China (1) was only 371,000 yen. There is nothing astonishing in this because the Chinese working in Taiwan who are the citizens of China are either workers or petty traders and, of course, none of them are employed in governmental service. These are statistics of postal money orders, not of bank remittances, but there is no reason to suppose that the situation with respect to the latter is different."

1. We say 'presumably of China' because it is difficult to find any other foreign country to which an average of 16,000 remittances are made annually from Taiwan.

4:Grajdanzev--185-187 S-4 (no date) 1942 Formosans-1-3
116, 453, 648, 177.64 Japan
636.64

"Taiwan 'the stone aiming at the south' was acquired by [186] Japan in 1895. The Bank of Taiwan, established in 1897, had among its tasks penetration of Southern China and Nan-Yo (1). In 1900 it established a branch in Amoy; in 1903—in Hongkong. In 1912 one

1. Nan-Yo includes Southeast Asia and the islands between Formosa and Australia. It is not clear whether the term includes Australia and New Zealand. Inclusion of Australia and New Zealand was denied by the former Minister of Foreign Affairs, Mr. Matsuoka, presumably to alleviate the fears of the Australians, but the maps published by the Japanese theorists of the southward advance include Australia and New Zealand.

in Bangkok. During the same period a well-planned net of agencies of the Bank was laid throughout the Malay archipelago. In 1919 with the assistance of the Bank of Taiwan the Chinese Southern (Hwa Nan) Bank was established with a capital of 10 million yen, and head offices in Taihoku, Taiwan. Its purpose was work among the Chinese emigrants in the colonial countries of Southeast Asia. In the same year the Bank of Taiwan established the South Seas (Nan-Yo) Warehouse Company with a capital of 5 million yen. As early as 1908 the government-general of Taiwan decided to earmark from its budget 700,000 to 800,000 yen annually for the purposes of education, health work, protection, cultivation

of friendship, and financial assistance to the Japanese in South China and Nan-Yo. But beside these purposes, about which some information will be given below, there was financial assistance not only to business men as such, but to business men of a special character. Malaya, Netherlands Indies, Australia, the Philippines, French Indo-China and Siam, not to mention South China, were systematically covered by a network of Japanese photographers, druggists, laundrymen and shopkeepers. There were hundreds of photographers who did not have as many as five clients a year; druggists who never sold any drugs to the natives or any one else; fishermen who were busy in surveying the coasts and taking soundings. We do not know how many of them were paid from the general budget of Japan proper; but we know that the sums appropriated annually by the Taiwan government-general were probably sufficient to support 3,000 such people throughout Southeast Asia (Y240 a year being enough for a frugal Japanese in [187] these southern countries.) To this network one should add the branch offices and agencies of the Bank of Taiwan, and the consulates of the Japanese Empire dotting the same area (2).

2. French officials in Indo-China complained that the Japanese knew more about Indo-China than they did. (Noted in Mirovoye Khozyaistvo, . . . , 1941). The same may be said about other countries of Southeast Asia.

The details of expenditures of the Taiwan government-general for this purpose

according to a Japanese source 'are not clear' (3), but it was said that 60% were spent

3. Taiwan Keizai Nempo, 1941, p. 778.

in South China and 40% in Nan-Yo."

45:Stanford U. S-4, 5 1956 AD1 Formosa
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Annex "A," Subparagraph 3d,
Economic Background

BANKING AND CURRENCY

652 436 Modern banking, as it is known in the West, came into being on Formosa during the Japanese occupation. The first bank on Formosa was a branch of a Japanese commercial bank, the Churitsu Bank, which was opened in Keelung during the first year of Japanese rule (1895). The Bank of Taiwan was established in 1899. It had the exclusive right to issue currency and was designated as the fiscal agent of the colonial government. It also did commercial banking, accepting deposits and extending loans, and dealt in foreign exchange. The notes issued between 1899 and 1904 were convertible into silver or were exchangeable at par for Japanese yen. In 1904 notes convertible into gold were issued. On notes which were not secured by gold or silver reserves, the Bank of Taiwan had to pay a tax of 5 per cent per annum. This rate was reduced to 3 per cent per annum in 1935. With 453 agricultural and industrial development of the island, banks prospered. The following banks were operating in Formosa at the end of 1944:

45:Stanford U. S-4, 5 1956 AD1 Formosa
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	Number of Branches (including head office)
651 Bank of Taiwan	14
Taiwan Commercial and Industrial Bank	37
Chang Hua Bank	28
Hua Nan Bank	4
Taiwan Savings Bank	20
Cooperative Bank	45
Sanwa Bank*	3
Hypothec Bank*	5

* Headquarters in Japan.

The Bank of Taiwan had 35 branches outside Formosa, and the Hua Nan Bank had five branches outside Formosa. In addition to the above there were also one trust company, four mutual-credit associations, and approximately 500 branches of co-operative and farmers' associations. During the first six months of 1945, to escape allied aerial bombings, banks were dispersed and the number of branch banks was increased.

652 After the war the Nationalist Government took over all the banking institutions on Formosa. Shares owned by the Japanese government and by Japanese firms and individuals were

45;Stanford U. S-4, 5 1956 ADI Formosa
ADI

153

Bank Deposits and Loans*

	Deposits (NT$ million)	Indices (June 1949 = 100)	Loans and Discounts (NT$ million)	Indices (June 1949 = 100)
1949	207	209	441	678
1950	659	666	632	972
1951	1,283	1,296	837	1,288
1952	2,096	2,117	1,488	2,289
1953	2,668	2,695	1,984	3,052
1954 (to April)	3,278	3,311	2,711	4,171
1955	3,991	4,031	3,066	4,717

* Far Eastern Economic Review, Vol. XIX, No. 6, Aug. 11, 1955, p. 183.

45:Stanford U. S-4, 5 1956 ADI Formosa
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453
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Interest Rates on Time Loans*
(Monthly)

	Bank of Taiwan	Other Banks	Private Lenders
1949	3.90	9.9	17.4
1950	2.10	3.9	12.0
1951	1.80	4.8	10.5
1952	1.80	3.3	6.6
1953	1.20	2.4	4.3
1954	0.99	1.9	4.1
1955 (June)	.99		4.2

* Statistics of Economic Research Department, Bank of Taiwan.

on unsecured loans in the city of Taipei. Interest rates vary from city to city; from 2.4 per cent to 4 per cent monthly, as of June 30, 1955.

453 The Bank of Taiwan once granted preferential interest rates to public enterprises, but the practice was deprecicated by private industry and has been discontinued. The reduction of interest rates, in spite of inflation, is a healthy sign, because a lower interest rate enables manufacturers to increase their capital investment and to reduce the cost of production, thus contributing to industrial expansion.

BANK LOANS AND DISCOUNTS* (April 1955)

(unit: NT$1,000)

		Total
Public Enterprises		1,617,094
a. Production enterprises	966,605	
b. Provincial Unified Fiscal Account#	599,329	
c. Communications	51,010	
d. Others	150	
Private Enterprises		1,179,203
a. Production enterprises	691,027	
b. Communications	44,502	
c. Others	443,674	
Grand Total		2,796,297

* Data from the Bank of Taiwan. Of the total, 68 per cent was loaned by the Bank of Taiwan and 32 per cent by all other banks.

Including Wine and Tobacco Monopoly Bureau, Forestry Administration, Taiwan Food Board, Bureau of Supplies, Coal Adjustment Commission, and the Provincial Railway and Highway Administrations.

453
45;Stanford U, S-4, 5 1956 ADI Formosa
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45:Stanford U. S-4, 5 1956 AD1 Formosa
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453 The total deposits in banks as of December 31, 1954 was NT$3, 110 million, of which NT$1, 390 million was from public and governmental agencies. Nearly two-thirds of the total bank deposits in the province, NT$1, 957 million were held by the Bank of Taiwan.[3] These statistics indicate the dominant position of the Bank of Taiwan in the economic life of Formosa.

436 Formosa enjoyed a stable currency before Japan attempted the conquest of China. After 1937, a period of inflation began. The amount of currency in circulation increased from 64. 2 million yen in 1936 to 536. 2 million yen in 1944. Through price- and wage-control and enforced savings, the Japanese administration was able to fight inflation. In 1945, however, the note issue jumped to a monthly average of 1, 568 million yen. There was a shortage of food and other consumer goods, and the whole system of economy broke down. Prices soared.

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3. Statistical Abstract of the Republic of China, 1955, Directorate General of Budgets, Accounts, and Statistics, Executive Yuan, Taipei, 1955, pp. 174-75.